

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 AID-05 IGA-02

OMB-01 CIAE-00 INR-07 NSAE-00 DODE-00 /033 W

-----038815 220911Z /21

R 220726Z JUN 77

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 2400

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EFIN, PK

SUBJ: BUSINESS REACTION TO BUDGET SPEECH

REF: ISLAMABAD 6122

1. ASIDE FROM THE PREDICTABLE ADULATION IN THE GOVERNMENT-CONTROLLED PRESS, MOST PUBLIC AND BUSINESS REACTION TO THE BUDGET SEEMS TO BE "SO WHAT". THERE IS WIDESPREAD SKEPTICISM IN THE KARACHI AND LAHORE BUSINESS COMMUNITIES THAT THE BUDGET'S REVENUE GOALS CAN BE MET AND THE DEFICIT HELD TO RS. 1.5 BILLION. THERE IS SOME GRUMBLING, PREDICTABLY, AT THE EFFECTS ON BUSINESS COSTS OF THE INCREASES IN THE PRICES OF TRANSPORTATION, POWER, CEMENT, AND OTHER UTILITIES, AND OF THE INCREASES IN TARIFFS AND INTERESTS RATES. THE TAX RELIEF FOR BUSINESSES OFFERED IN THE BUDGET, BUSINESSMEN CORRECTLY POINT OUT, IS MODEST AND IN ANY CASE AFFECTS ALMOST EXCLUSIVELY NEW BUSINESSES AND PAKISTANIS WORKING OR EARNING MONEY OVERSEAS, THUS HAVING LITTLE LIKELY EFFECT ON THE DOMESTIC INVESTMENT OR BUSINESS CLIMATE.

2. TO PUT THIS IN PERSPECTIVE, HOWEVER, WE BELIEVE THAT THE BUSINESS COMMUNITY'S SKEPTICAL ATTITUDE IS DIRECTED NOT

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SO MUCH AT THE BUDGET AS AT THE GOVERNMENT. DESPITE OFT-EXPRESSED HOPES THAT THE TIME FOR A REVERSAL OF THE GOVERNMENT'S COOL STANCE TOWARD BUSINESS MAY BE AT HAND, THE BUSINESS COMMUNITY STILL SEEMS TO BE OPERATING ON THE ASSUMPTION THAT THE PRIVATE SECTOR IS, IN THE GOVERNMENT'S EYES, THE STEPCHILD OF THE PAKISTANI ECONOMY. ANY CHANGE IN THIS PERCEPTION WOULD AT BEST REQUIRE AN EXTENDED PERIOD

OF GOVERNMENT COURTSHIP OF BUSINESS AND PROBABLY AN IMPROVE-
MENT IN THE COMMERCIAL FORTUNES OF THE KEY TEXTILE INDUSTRY
AS WELL. IF THE GOVERNMENT'S TARGETS FOR COTTON PRODUCTION
AND EXPORTS IN THE COMING YEAR WERE MET, THIS COULD DO MORE
FOR THE INVESTMENT CLIMATE THAN ANY CHANGES THE GOVERNMENT
MIGHT MAKE IN PAKISTAN'S TAX LAWS AND FORMAL GOVERNMENT
REGULATION OF BUSINESS.

3. THIS CABLE INCLUDES CONTRIBUTIONS FROM KARACHI AND
LAHORE.
CONSTABLE

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NNN

Message Attributes

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Sent Date: 22-Jun-1977 12:00:00 am
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